

Quarterly Financial Stability Assessment Report

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Bangladesh Bank

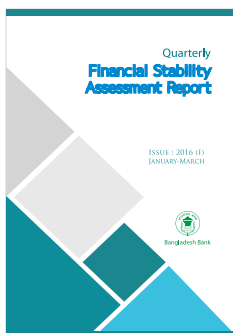
Quarterly

Financial Stability Assessment Report

January-March 2016



Financial Stability Department
Bangladesh Bank



Advisor

Shitangshu Kumar Sur Chowdhury, Deputy Governor

Coordinators

1. Md. Nazimuddin, Executive Director
2. Debashish Chakraborty, General Manager
3. Md. Nazrul Islam, Deputy General Manager
4. Md. Anwarul Islam, Deputy General Manager
5. Mohammad Jamal Uddin, Deputy General Manager

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4. Farzana Islam, Deputy Director
5. Gazi Arafat Ali, Deputy Director
6. Banna Banik, Assistant Director
7. Md. Mehedi Hasan, Assistant Director

Data Support/Write-up Support

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2. Bangladesh Financial Intelligence Unit
3. Banking Regulation and Policy Department
4. Department of Financial Institutions and Markets
5. Department of Off-site Supervision
6. Financial Inclusion Department
7. Foreign Exchange Policy Department
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This report is based on unaudited and provisional data of banks and non-bank financial institutions available up to March 31, 2016 unless stated otherwise in the relevant chapters/sections.

MESSAGE OF THE GOVERNOR



It has been eight years since the global financial crisis of 2007-2008 that gave rise to the largest wave of banking crises since the great depression. Following the crisis, financial stability has emerged as a key challenge before central banks and other supervisors. In our context too, it was not a smooth task to achieve the desired level of stability as the global growth potential seems to have slowed down. Nevertheless, Bangladesh has been able to maintain the macroeconomic and financial system stability to a great extent. Bangladesh Bank, being the banking sector regulator, has remained committed to serving the savers and the borrowers through better regulation, supervision, policy innovation and market development with strong emphasis on improving the corporate governance towards achieving a higher level of efficiency in the process of financial intermediation.

During the first quarter of the calendar year 2016, financial system of Bangladesh was mostly resilient and capable to withstand financial and economic shocks. Stringent microprudential regulation and supervision, judicious application of macroprudential oversight and broad-based financial inclusion, all contributed significantly to the stability of the financial system. Declining inflation, moderate export and remittance growth, and a buildup of notable foreign exchange reserves helped to enhance the macroeconomic stability. An expanded structure of the banking and NBFIs sector and the move towards Basel III capital and liquidity framework in the banking sector helped to maintain a desired level of financial system stability.

The current issue of the Quarterly Financial Stability Assessment Report (QFSAR) gives significant focus on trends of macroeconomic indicators, banking and NBFIs sectors' performances, including their liquidity and capital adequacy, the risk to and resilience of those sectors, as well as capital market developments.

I strongly believe that this issue of the QFSAR will help the stakeholders to get important insights and aware them promptly to withstand any risks and fragilities to the financial system. I appreciate the dedication and efforts of the officials for preparing this report in a timely manner.


Fazle Kabir
Governor



MESSAGE OF THE DEPUTY GOVERNOR

Global financial stability, during the January-March quarter of calendar year 2016, remained clouded attributable to slowing growth in China, a strong dollar, and low commodity prices. But this time, the emerging market economies appeared most vulnerable, while advanced economies were struggling to escape the low economic growth. With sluggish growth and inflation well below target, central banks in the Eurozone, Sweden, Switzerland, Denmark and Japan which account for around one quarter of the global economy in total, have adopted a negative interest rate policy. Since the crisis, interest rates have been at or around zero, and so quantitative easing was used to inject new money into the system to increase liquidity and, ultimately to raise credit growth rates, spur economic activity and to move inflation back up to target levels.

To maintain and sustain the stability of domestic financial system, Bangladesh Bank works diligently and devotes its resources to assess the risks and vulnerabilities of the financial system. In the review quarter, Bangladesh Bank released revised core risks guidelines for banks on Internal Control & Compliance Risk Management, Credit Risk Management, Asset Liability Management (ALM) and Foreign Exchange Risk Management to help them manage those risks in a more effective manner. Besides, Bangladesh Bank has established a revolving fund, titled "Green Transformation Fund", to facilitate the relevant export oriented industries to transform their conventional production systems with eco-friendly and energy efficient technology to meet the current global environmental and social safeguards compliance standards. Declining trend of inflation coupled with comfortable foreign exchange reserve, increased workers' remittance & export and decreased government borrowings from banking sector contributed to maintaining a moderate level of stability in the Bangladesh financial system.

I applaud the effort and devotion of the officials of Financial Stability Department of Bangladesh Bank to prepare the report in time, keeping it specific, informative and insightful. I anticipate that stakeholders of the financial system would get important insights from the report and would be able to predict any plausible distress in the financial system and prepare them to counter the same.

A handwritten signature in black ink, appearing to be 'SKS' followed by a flourish.

Shitangshu Kumar Sur Chowdhury
Deputy Governor

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Acronyms

ACU	Asian Clearing Union
ADs	Authorised Dealers
ADR	Advance-to-Deposit Ratio
B/L	Bad and Loss
BACH	Bangladesh Automated Clearing House
BACPS	Bangladesh Automated Cheque Processing System
BEFTN	Bangladesh Electronic Fund Transfer Network
BB	Bangladesh Bank
BBS	Bangladesh Bureau of Statistics
BDT	Bangladesh Taka
BRPD	Banking Regulation and Policy Department
CAR	Capital Adequacy Ratio
CCB	Capital Conservation Buffer
CPI	Consumer Price Index
CRAR	Capital to Risk-weighted Asset Ratio
CRR	Cash Reserve Requirement
CY	Calendar Year
DFIs	Development Finance Institutions
DFIM	Department of Financial Institutions and Markets
DOS	Department of Off-site Supervision
DSE	Dhaka Stock Exchange
FCBs	Foreign Commercial Banks
FIs	Financial Institutions
FOB	Free on Board
FSD	Financial Stability Department
FSV	Forced Sale Value
FX	Foreign Exchange
GTF	Green Transformation Fund
IS	Interest Suspense
NBFIs	Non-bank Financial Institutions
NPL	Non-performing Loan
NPSB	National Payment Switch Bangladesh
PCBs	Private Commercial Banks
P/E	Price Earnings Ratio
QFSAR	Quarterly Financial Stability Assessment Report
ROA	Return on Assets
ROE	Return on Equity
RTGS	Real Time Gross Settlement System
RWA	Risk-weighted Assets
SCBs	State-owned Commercial Banks
SLR	Statutory Liquidity Ratio
SME	Small & Medium Enterprise
TL	Total Loan
USD	United States Dollar
WAR	Weighted Average Resilience
WIR	Weighted Insolvency Ratio

Executive Summary

The global economy seemed to grow at a slow pace during the review quarter. Weaknesses that plagued emerging markets are far from abating and dynamics among developed countries remain weak. Income gain from low gasoline prices was offset by worsening investments and a strong dollar in the United States. Of course, annual growth in the Eurozone was mostly stable likely due to robust domestic demand. Bold policy support allowed China to decelerate marginally. Amid these developments, during the January-March quarter of 2016 (CY16), Bangladesh financial system demonstrated an improving trend which could be attributed to a decline in inflation, an increase in foreign exchange reserves, exports and wage earners' remittance.

Gross international reserves reached to USD 28.3 billion at the end of the review quarter. The Quantum Index of Industrial Production (General-Manufacturing) decreased slightly compared to end-December 2015 position. Inflation recorded a minor decline with respect to the preceding quarter. Wage earners' remittance displayed a slight improvement. The spread between the weighted average lending and deposit rates remained mostly unchanged compared with that of the previous quarter. Bangladesh Taka (BDT) appreciated against the US Dollar (USD) slightly, while credit to the Government (gross) by the banking system recorded a moderate decrease. Import payments decreased slightly, while export receipts increased moderately in the review quarter.

The banking sector displayed a mixed performance during the review quarter. The balance sheet size grew to a notable extent. Both share of loans and advances to total assets, the share of money at call and other assets increased. The share of investment recorded a minor decline. Asset quality, measured by non-performing loans (NPL) to the aggregate loan portfolio, and NPL to regulatory capital, deteriorated over the preceding quarter. The provision shortfall widened moderately. Key profitability indicators, i.e., Return on Assets (ROA) and Return on Equity (ROE), decreased moderately in the review quarter.

At the end of March 2016, a significant number of the banks was able to maintain their minimum regulatory capital to risk weighted asset ratios (CRAR) above 10.0 percent in line with Pillar 1 of the Basel III capital framework. Moreover, a substantial share of banking assets was concentrated within the CRAR-compliant banks over this period. The overall banking sector's CRAR slightly declined from the end-December 2015 position. However, Tier-1 capital ratio increased slightly; the ratio was much higher than the minimum requirement of 5.5 percent. 43 out of 56 banks were able to maintain minimum required level of capital conservation buffer in the reporting quarter. Importantly, in the review quarter, banking sector has been able to maintain a significant leverage ratio compared to the minimum requirement set by Bangladesh Bank.

As of end-March 2016, the Advance-to-Deposit ratio (ADR) of the banking industry slightly increased compared with that of end-December 2015. Furthermore, banking sector, as a whole, had no shortfall in Cash Reserve Ratio (CRR).

Stress testing analysis, based on the data as of March quarter CY16, indicates that default of the largest borrowers would have a major impact on the banking sector CRAR. In contrast, the banking industry was found to be fairly resilient in the face of various market risk shocks. Moreover, the individual banks and the banking system, as a whole, were found to be well resilient against various liquidity stress scenarios as of end-March CY16.

Non-bank Financial Institutions (NBFIs) sector too demonstrated a mixed trend in the review quarter. Asset quality remained stable compared to December 2015 position while the key profitability indicators - ROA and ROE - decreased notably over the previous quarter.

During the review quarter, the NBFIs had no shortfall in either CRR or SLR. The capital adequacy ratio (CAR) of the NBFIs sector decreased slightly compared to the position of the preceding quarter. A substantial share of this sector's asset was concentrated within the CAR compliant NBFIs, which attributed further in maintaining the stability of this sector. Moreover, the Tier-1 ratio was higher than the regulatory requirement of 5.0 percent.

Stress testing analysis on the NBFIs reveals that a majority of them was resilient in the event of stress scenarios as of end-March 2016. However, 11 out of 32 NBFIs were somewhat prone to different shock events.

The capital market continued to record a price correction in the review quarter compared to the preceding quarter; the DSEX, DSE 30, and DSES declined slightly. On the other hand, the amount of corporate bonds issued increased significantly compared with that at end-December 2015.

Bangladesh Bank has taken a number of initiatives in the review quarter having implications for financial stability. For instance, Bangladesh Bank has amended guidelines on Internal Control & Compliance Risk Management, Credit Risk Management, Asset Liability Management (ALM), and Foreign Exchange Risk Management in banks to provide directional guidelines that would facilitate the banks to improve their risk management culture. Besides, Bangladesh Bank has issued "Integrated Risk Management Guidelines" for Financial Institutions (FIs) to strengthen their overall risk management framework and introduce techniques of managing all possible risks under formal organizational set up with standard policies and procedure. Furthermore, Bangladesh Bank has instructed the banks to maintain a Capital Conversation Buffer (CCB) of 0.625 percent of their total risk-weighted assets in addition to minimum required CRAR of 10.0 percent, in the review quarter, as part of implementation of Basel III Capital Framework in Bangladesh.

While economic uncertainty remains high, reduced volatility in global financial markets and policy measures taken by China helped to ease concerns about the health of the global economy during the review quarter. Likewise, Bangladesh financial system exhibited a moderate level of stability that could be attributed to the coordinating role of financial sector regulators, the Government, financial intermediaries and stakeholders of the financial system.

Macroeconomic Developments

The Bangladesh economy exhibited an improving trend in the review quarter compared with that of the preceding quarter. This could be attributed to a decline in inflation, an increase in foreign exchange reserves, exports and wage earners' remittance.

1.1 Inflation

At end-March 2016, inflation decreased to 6.1 percent from 6.2 percent of end-December 2015 and this trend continued throughout the quarter (Chart 1.1).

1.2 Foreign Exchange Reserve and its Import Coverage

At end-March 2016, the gross foreign exchange reserves reached at USD 28.3 billion, an increase by 2.8 percent, from the USD 27.5 billion recorded at end-December 2015. The reserve position was sufficient to meet more than eight months of import bills on FOB basis.

1.3 Wage Earners' Remittance

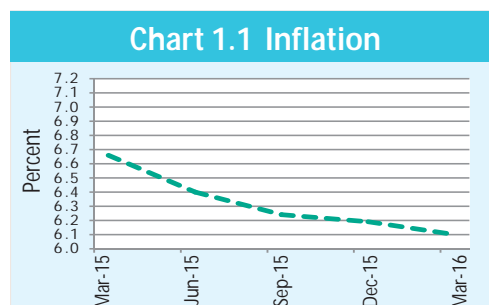
The remittances from Bangladeshi nationals working abroad stood at USD 3,572.5 million, recording an increment of 53 basis points, at end-March 2016, as compared to USD 3,553.6 million recorded at end-December 2015.

In the October-December quarter of 2015 remittance recorded a declined growth compared to July-September quarter of 2015.

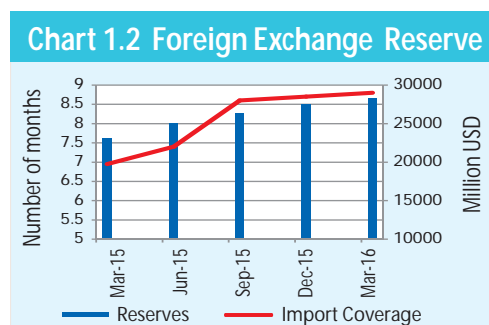
1.4 Industrial Production

The Quantum Index of Industrial Production (General-Manufacturing) at end-March 2016

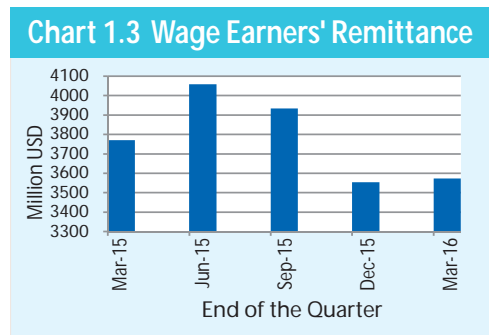
¹ On FOB basis



Source: Economic Trends, BB (various issues).



Source: Research Department, BB.



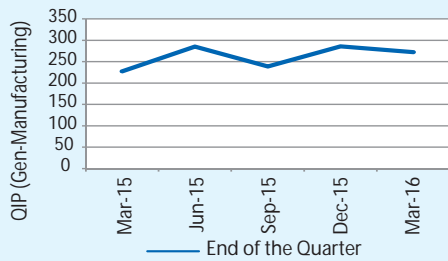
Source: Monthly Economic Trends, BB (various issues).

dropped to 272.2 compared with 286.1 at end-December 2015. The QIP (manufacturing) demonstrated a decreasing trend over the quarter that implies low level of economic activities or reduced industrial output.

1.5 Imports and Exports

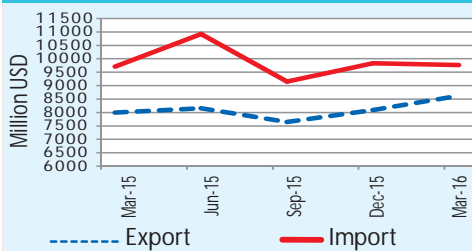
In the first quarter of CY16, aggregate import payments¹ decreased by 72 basis points and reached at USD 9,765.0 million as compared to USD 9,836.0 million recorded

Chart 1.4 Industrial Production Index (General-Manufacturing)



Note: Base 2005-06=100. Source: BBS.

Chart 1.5 Exports and Imports (FOB)



Source: Research Department, BB.

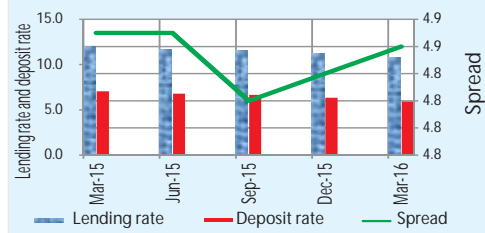
in the previous quarter. Export receipts, on the other hand, increased by 6.6 percent and reached at USD 8,624.0 million compared with USD 8,089.0 million recorded in the fourth quarter of CY15.

1.6 Interest Rate Spread

The spread between weighted average lending and deposit rates remained mostly unchanged to 4.9 percent with respect to that of end-December 2015; Foreign Commercial Banks' (FCBs) spread is much higher than the industry average and Specialized Banks' spread is the lowest among the four bank categories². However, in the review quarter the weighted average lending rate was recorded at 10.8 percent while the deposit rate was 5.9 percent. Pertinently, in the review quarter, both the lending and deposit rates slightly declined.

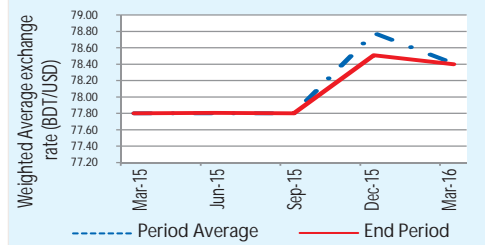
² Four banks categories are:
SCBs-State owned Commercial Banks.
FCBs-Foreign Commercial Banks.
SDBs-Specialized Development Banks.
PCBs-Private Commercial Banks.

Chart 1.6 Interest Rate Spread



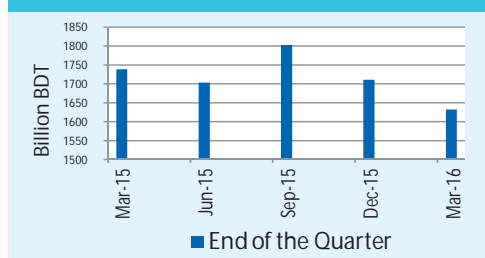
Source: Major Economic Indicators, BB (various volumes).

Chart 1.7 Exchange Rate



Source: Economic Trends, BB.

Chart 1.8 Credit to the Govt. (Gross) by the Banking System



Source: Economic Trends, BB.

1.7 Exchange Rate

The value of the Bangladesh Taka in terms of US dollar recorded an appreciation to BDT 78.41 per USD in March 2016 from USD 78.78 in December 2015.

1.8 Credit to the Government (Gross) by the Banking System

Credit to the Government (gross) by the banking system decreased by BDT 78.2 billion or 4.6 percent during the review quarter. In the preceding quarter, credit to the government recorded a decline of 5.1 percent compared to July-September quarter of 2015.

Banking Sector Performance

The banking sector demonstrated a mixed performance in terms of asset growth, return on assets, return on equity, and asset quality during the January-March quarter of CY16.

2.1 Assets Structure of the Banking Sector

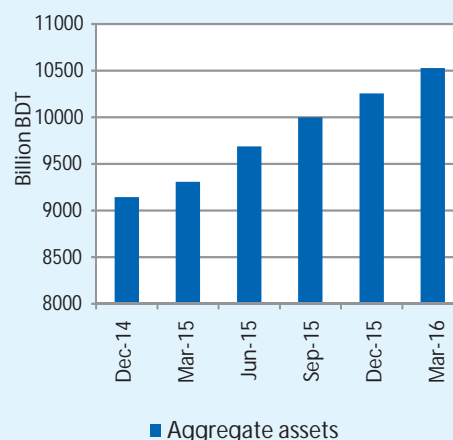
The balance sheet size of the banking sector³ grew by almost 2.5 percent and reached BDT 10,529.8 billion at end-March 2016. Loans and advances, as a percentage of total assets, recorded a moderate increase and other assets recorded a slight increase compared with those of end-December 2015.

The share of loans and advances, the largest among the asset items, increased by 146 basis points at end-March of CY16, while the share of investments in government and other securities decreased by 206 basis points compared with that of end-December 2015. The share of banks' assets with Bangladesh Bank decreased by 29 basis points, and balances with other banks and Financial Institutions decreased by 9 basis points. Banks' money at call increased by 19 basis points, while the share of other assets increased by 107 basis points.

The asset concentration ratios of Top 5 and Top 10 banks as against total banking system assets were 30.0 and 44.1 percent respectively at end-March 2016 (Chart 2.3);

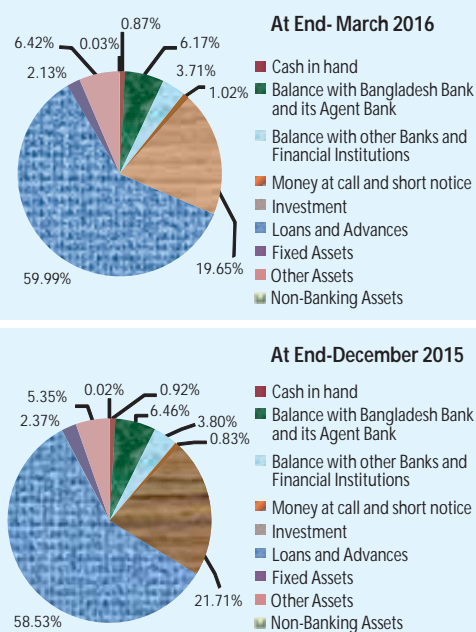
³ Taking into account only scheduled banks.

Chart 2.1 Asset size of the Banking Industry



Source: Compilation (Aggregate B/S account of banking industry): FSD, BB.

Chart 2.2 Asset structure of the Banking Industry



Source: Compilation (Aggregate B/S account of banking industry): FSD, BB.

the proportion increased relative to that in the preceding quarter.

2.2 Asset Quality

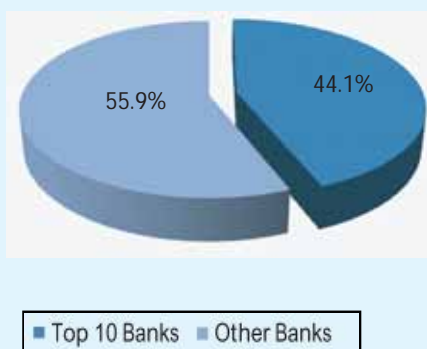
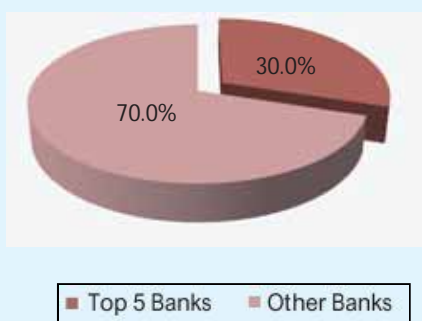
The NPL ratio⁴ increased by 113 basis points, reaching 9.9 percent at end-March 2016 from 8.8 percent recorded at end-December 2015. State-owned commercial banks (SCBs)' NPL is higher than that of the overall banking industry and it increased to 24.3 percent from 21.5 percent recorded at

end-December 2015. Besides, non-performing loans net of specific loan loss provisions and interest suspense to total loans increased to 2.9 percent from 2.3 percent recorded at end-December 2015. Whereas non-performing loans net of specific loan loss provisions and interest suspense to regulatory capital increased significantly to 21.2 percent at end-March 2016 from 16.5 percent of end-December 2015.

The distribution of banks, based on their NPL ratios, indicates that 14 banks came up with double-digit values in March CY16. Of these, 9 banks' NPL ratios were higher than 20.0 percent.

The provision maintenance ratio⁵, at end-March 2016, reached 87.7 percent as opposed to 86.1 percent recorded at end-December 2015.

Chart 2.3 Top 5 and Top 10 Banks based on Assets Size as at End-March 2016

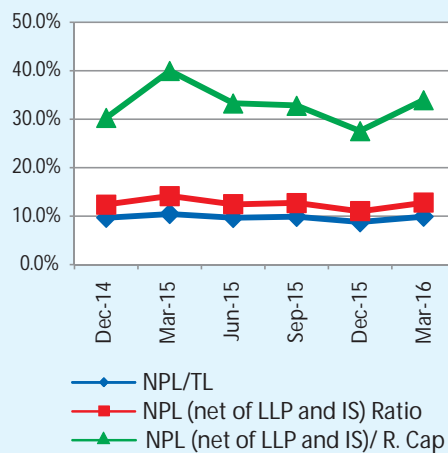


Source: Compilation (Aggregate B/S account of banking industry): FSD, BB.

⁴ Non-performing loan to total loan ratio.

⁵ Maintained provision to required provision.

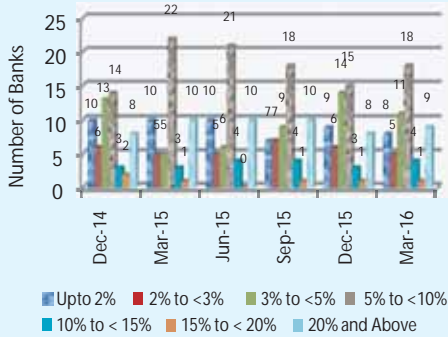
Chart 2.4 NPL Ratio



Source: BRPD, BB.

It is mentionable that 48.9 and 63.6 percent of the non-performing loans were concentrated in the Top 5 and Top 10 banks respectively at end-March 2016 (chart 2.7).

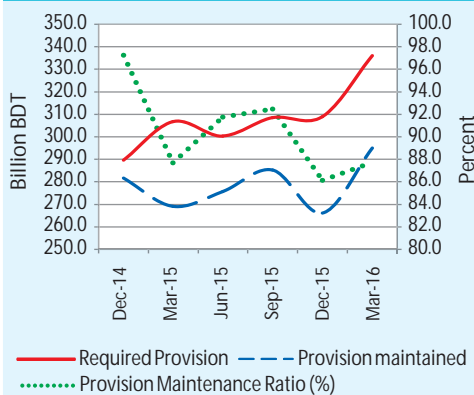
Chart 2.5 Distribution of Banks by NPL Ratio



Source: BRPD, Compilation FSD.

The ratio of bad/loss loans to total classified loans stood at 79.6 percent at end-March CY16⁶. The NPL under sub-standard and doubtful categories, on the other hand, constituted 15.1 and 5.3 percent of total NPLs respectively. The proportion of doubtful and bad/loss loans decreased by 1.1 and 5.1 percent respectively, while the proportion of sub-standard loans increased by 6.2 percent from the previous quarter.

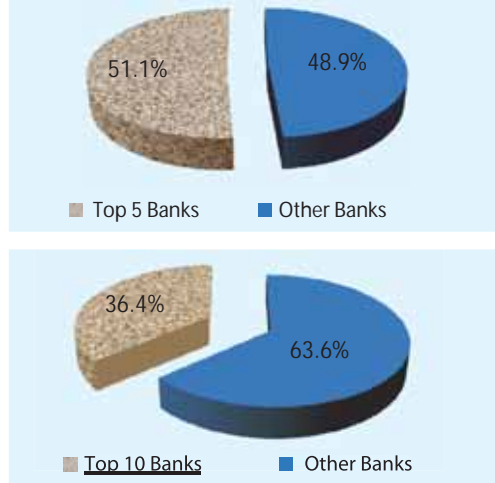
Chart 2.6 Banking Sector Loan Loss Provision



Source: BRPD, BB.

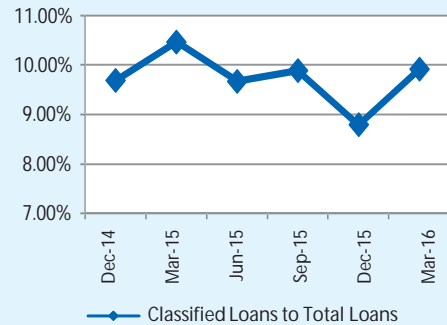
⁶ Compared with 80.0 percent recorded at end-September CY15.

Chart 2.7 Top 5 and Top 10 Banks based on NPL as of End-March 2016



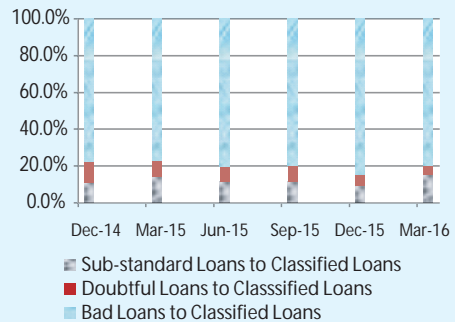
Source: BRPD, Compilation FSD.

Chart 2.8 NPL Ratio of the Banking Industry



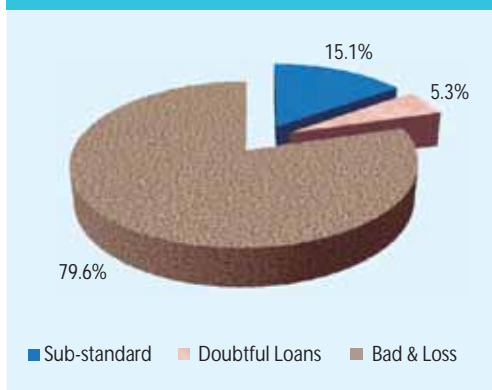
Source: BRPD, BB.

Chart 2.9 Proportion of NPL Categories



Source: BRPD, BB.

Chart 2.10 NPL Composition of Banks

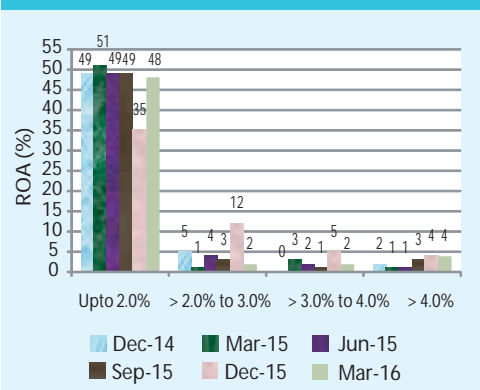


Source: BRPD, BB.

2.3 Profitability

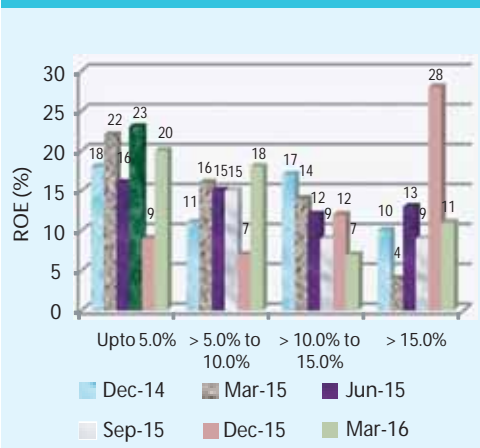
At end-March CY16, both return on assets (ROA) and return on equity (ROE) decreased by 0.8 and 7.4 percentage points respectively, from those of the previous quarter (1.3 and 14.2 percent). Almost 85.7 percent of the banks' ROA was up to 2.0 percent, while 14.3 percent of banks' ROA was higher than 2.0 percent. On the other hand, 64.3 percent of the banks' ROE was higher than 5.0 percent.

Chart 2.11 Banking Sector Return on Assets (ROA)



Source: Compilation (Aggregate P/L account of banking industry): FSD, BB.

Chart 2.12 Banking Sector Return on Equity (ROE)



Source: Compilation (Aggregate P/L account of banking industry): FSD, BB.

Non-Bank Financial Institutions' Performance

Non-bank Financial Institutions (NBFIs) showed a mixed trend in the review quarter of CY16. Key financial soundness indicators, such as non-performing loans remained same but profitability ratios went down, portraying a lackluster performance of the industry in the review quarter.

3.1 Sources of Funds of the NBFIs

Deposits constitute the major source of total funds for the NBFIs, while borrowings are the second important source. Capital, call money, bonds etc. constitute the other funding sources.

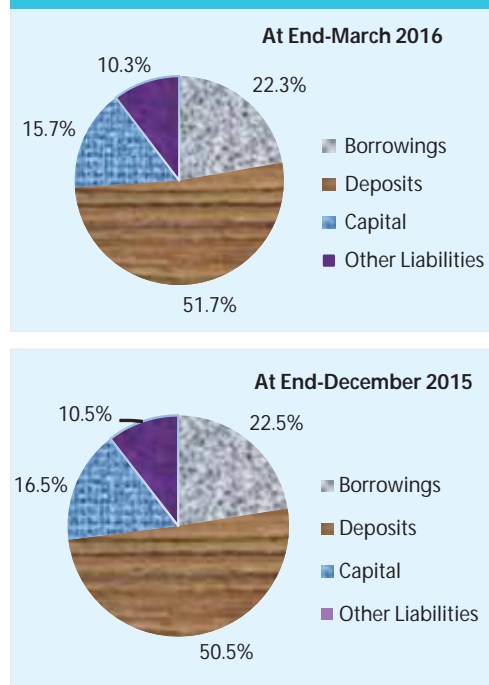
At end-March 2016, borrowings, deposits, capital and other liabilities constituted 22.3, 51.7, 15.7 and 10.3 percent of the sources of funds of the NBFIs respectively. In comparison with end-December 2015, the proportions of all the sources of funds remained almost unchanged.

3.2 Assets Composition/Structure

The major portion of NBFIs' funds is deployed in loans and leases. Cash and balances with banks/FIs, investments, other fixed and non-financial assets are the other components of their assets.

NBFIs' loans and leases constituted 72.9 percent of total assets at end-March 2016. Cash and balances with banks/FIs, investments, fixed assets, and other assets comprised 14.9, 3.2, 1.1 and 7.9 percent of total assets respectively.

Chart 3.1 NBFIs' Borrowing, Deposit, Capital, and Other Liabilities



Source: NBFIs, FSD Staff Compilation.

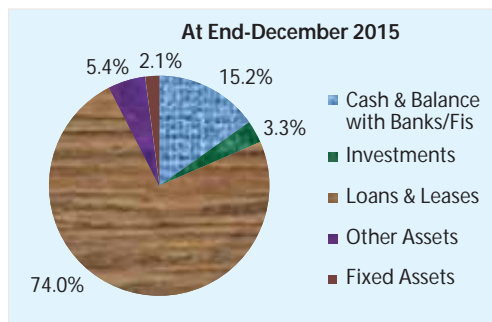
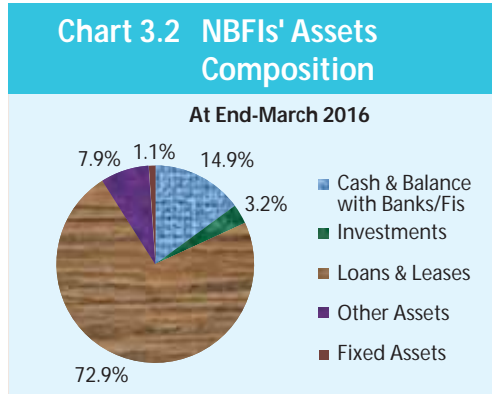
When compared with end-December 2015 positions, the proportion of cash and balances with other banks/FIs has decreased by 30 basis points. The proportion of loans and leases has also decreased by 110 basis points, while the proportion of other assets has increased by 250 basis points.

3.3 Asset Quality

NBFIs' asset quality remained unchanged in March 2016⁷. Non-performing loans and leases increased from BDT 40.0 billion at

⁷ There has been no change in regulatory requirements regarding NBFIs' asset classification in March quarter CY16.

end-December 2015 to BDT 41.8 billion in end-March 2016, recording an increase of 4.5 percent. The ratio of non-performing loans and leases to total loans was same as that of end-December 2015, which was 8.9 percent.



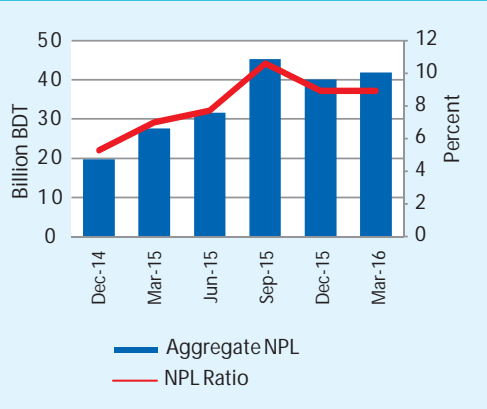
Source: NBFIs, FSD staff compilation.

3.4 Profitability

NBFIs' profitability has declined to a large extent in the March quarter of CY16 over the December quarter of CY15⁸.

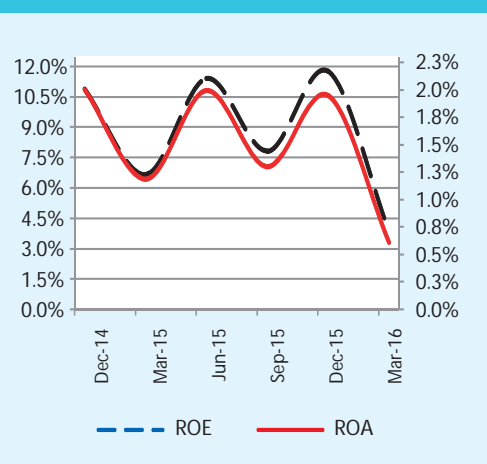
The return on assets (ROA) and return on equity (ROE) stood at 0.6 and 3.9 percent respectively in the March quarter of CY16 as

Chart 3.3 NBFIs' Non-Performing Loan and Leases



Source: DFIM, BB.

Chart 3.4 NBFIs' Return on Assets (ROA) and Return on Equity (ROE)



Source: NBFIs; FSD staff compilation.

compared to 2.0 and 11.8 percent respectively recorded in the preceding quarter.

⁸ Here profitability indicators-ROA and ROE- have been annualized from quarterly ratios.

Banking Sector Liquidity and Capital Adequacy

The banking sector capital to risk-weighted assets ratio (CRAR) decreased slightly in the review quarter compared with that of the previous quarter. The maintained overall CRAR was higher than the minimum requirement of 10.0 percent. Most of the banks (43 banks) were able to maintain minimum capital conservation buffer that has been introduced from the review quarter. The advance-to-deposit ratio (ADR) has increased on a small scale.

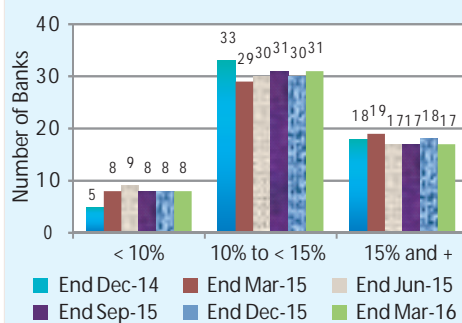
4.1 Capital Adequacy

In the review quarter, a majority of banks were compliant to the minimum CRAR requirement, compared to end-December 2015. 48 out of 56 banks were able to maintain their capital ratios of 10.0 percent or higher in line with Pillar 1 of the Basel III capital framework. Moreover, as evident from Chart 4.2, a substantial share of banking assets was concentrated within the CRAR-compliant group of banks having positive impact on the stability of the financial system. CRARs of 31 banks were within the range of 10-15 percent and their assets accounted for nearly 70.0 percent of the total banking industry's assets at end-March 2016. This indicates that a significant portion of the banking sector assets are managed by the CRAR-compliant banks.

The banking sector aggregate CRAR at end-March 2016 was 10.6 percent, slightly higher

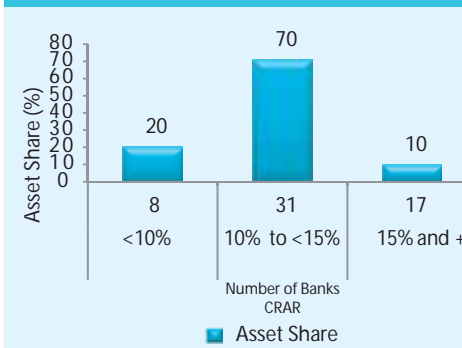
than the minimum requirement of 10.0 percent and 20 basis points lower than the ratio recorded at end-December 2015. Tier-1 capital ratio was 8.2 percent as compared to 8.1 percent recorded at end-December 2015. Notably, the ratio was significantly higher than the minimum regulatory requirement of 5.5 percent⁹.

Chart 4.1 Banking Sector Capital to Risk-weighted Assets Ratio



Source: DOS, BB.

Chart 4.2 Assets Share of Banks based on CRAR at End-March 2016

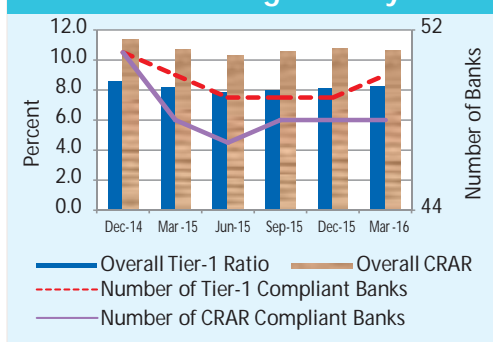


Source: DOS, BB.

⁹ Under the Basel-III framework, banks in Bangladesh are required to maintain a capital to risk-weighted assets ratio (CRAR) of at least 10.0 percent and Tier-1 capital ratio of not less than 5.5 percent.

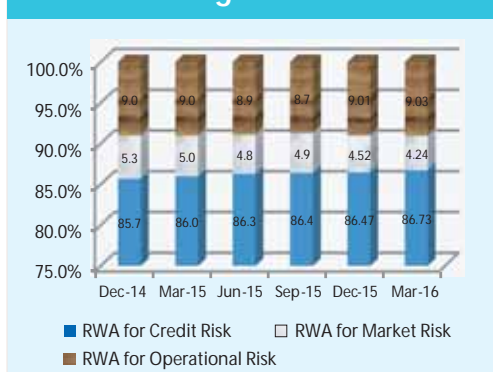
At end-March 2016, risk-weighted assets, arising from credit risks, accounted for 86.7 percent of the total industry's risk-weighted assets under Pillar 1 of the Basel III capital adequacy framework. Next positions were held by operational and market risks (Chart 4.4).

Chart 4.3 Tier-1 Capital Ratio and Overall CAR/CRAR of the Banking Industry



Source: DOS, BB.

Chart 4.4 Distribution of Risk-weighted Assets



Source: DOS, BB.

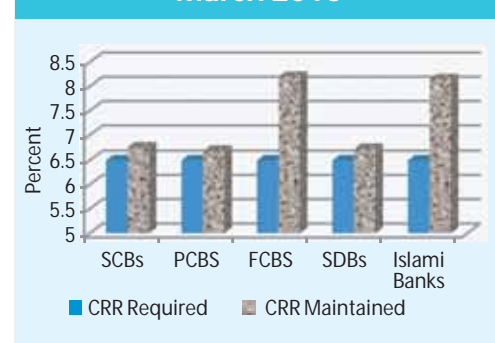
Maintenance of Capital Conservation Buffer (CCB) for banks has been started from 2016 and would be fully implemented by 2019 in line with the Basel III framework¹⁰. Against

the regulatory requirement of 0.625 percent for CY16, 43 out of 56 banks has been able to maintain required capital conservation buffer on solo basis during the review quarter. On the other hand, in case of consolidated basis, 26 out of 36 banks have been able to fulfill the regulatory requirement. The aggregate CCB of banks in the stated quarter was 0.62 percent on solo basis and 1.08 percent on consolidated basis.

4.2 Liquidity

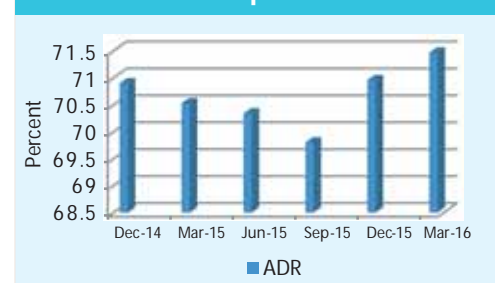
During the review quarter of CY16, banking sector as a whole was able to maintain the required level of CRR¹¹.

Chart 4.5 Banking sector CRR: March 2016



Source: DOS, BB.

Chart 4.6 Banking Sector Advance to-Deposit Ratio



Source: DOS, BB.

¹⁰ Banks will have to maintain a capital conservation buffer of 2.50 percent, comprised of Common Equity Tier1 Capital, above the regulatory minimum capital requirement of 10.0 percent from 2019 onward.

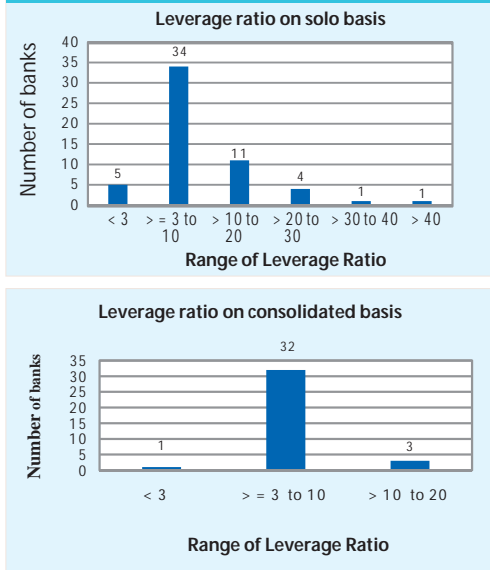
¹¹ On bi-weekly average basis.

As evident from Chart 4.7, ADR of the overall banking industry has increased by 51 basis points at end-March 2016 from that of end-December 2015¹².

4.3 Leverage ratio

For the stated quarter, minimum requirement for leverage ratio was 3.0 percent, on both solo and consolidated bases. Against the regulatory requirement, the banking sector has been able to maintain a leverage ratio of 5.25 percent on solo basis; 51 out of 56 banks have successfully maintained leverage ratio of 3.0 percent or higher (Chart 4.7). On the other hand, in case of consolidated basis, 35 out of 36 banks have been able to fulfill the regulatory requirement.

Chart 4.7 Leverage ratio of banks at End-March 2016



Source: DOS, BB.

¹² The conventional banks are recommended to maintain an Advance-to-Deposit Ratio (ADR) up to 85.0 percent while the Islamic Shari'ah banks are recommended for 90.0 percent.

Non-bank Financial Institutions' Liquidity and Capital Adequacy

During the review quarter, NBFIs sector displayed a mixed trend in terms of liquidity and capital adequacy. While there was no shortfall in cash reserve ratio (CRR) and statutory liquidity ratio (SLR), capital adequacy ratio slightly declined.

5.1 Liquidity

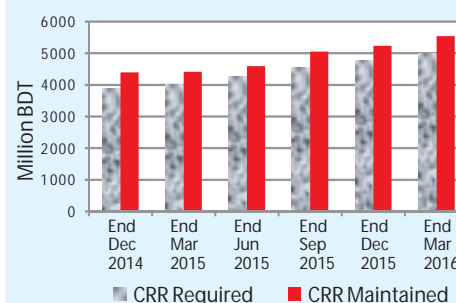
As of end-March 2016, the aggregate amount of maintained CRR was BDT 5,540.4 million as compared to BDT 5,234.6 million recorded at end-December 2015, scoring an increment of 5.8 percent. On the other hand, at end-March 2016, the amount of maintained SLR was BDT 71.0 billion, which is 4.4 percent higher than the amount maintained at end-December 2015. During the review quarter, the NBFIs sector had no CRR and SLR shortfall¹³.

5.2 Capital Adequacy

In the review quarter, NBFIs were required to maintain a 10.0 percent capital adequacy ratio (CAR) with at least 5.0 percent in Tier-1 capital in line with the Basel II framework.

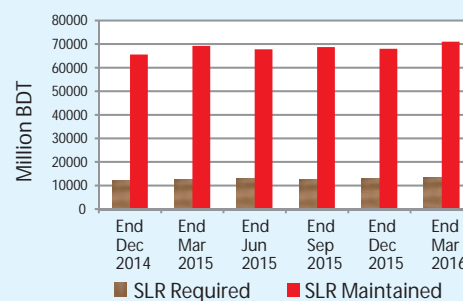
The CAR of the NBFIs sector decreased slightly from 18.7 percent in the December quarter of CY15 to 17.9 percent in the March quarter of CY16. It is to mention that the maintained CAR was well in excess of the minimum regulatory requirement. As of end-March 2016, only 4 out of 32 NBFIs,

Chart 5.1 NBFIs' CRR



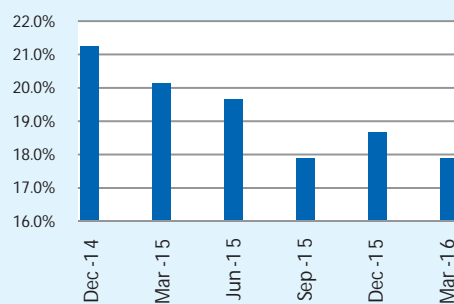
Source: DFIM, BB.

Chart 5.2 NBFIs' SLR



Source: DFIM, BB.

Chart 5.3 Capital Adequacy Ratio of NBFIs Sector



Source: DFIM, BB.

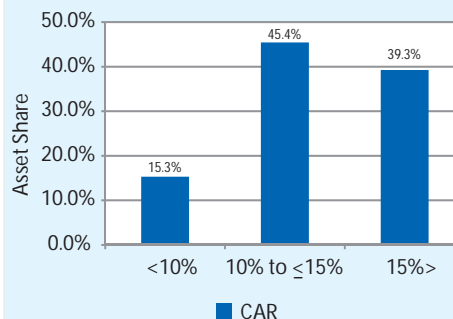
¹³ NBFIs taking term deposits are required to maintain a statutory liquidity requirement (SLR) of 5.0 percent of their total liabilities, inclusive of an average 2.5 percent cash reserve ratio (CRR) of their total term deposits. On the other hand, NBFIs operating without term deposits are required to maintain an SLR of 2.5 percent and are exempted from maintaining the CRR.

failed to maintain the minimum regulatory requirement of CAR.

As evident from Chart 5.4, a significant portion of the NBFIs sector's assets was concentrated within the CAR compliant group; CARs of 9 NBFIs were within the range of 10-15 percent and their assets accounted for nearly 45 percent of the total industry's assets, whereas the same of 19 NBFIs were above 15 percent and their assets accounted for 39 percent of the industry's assets as at end-March 2016. However, CARs of 4 NBFIs were less than 10.0 percent and their assets accounted for nearly 16 percent of the total industry's assets, the proportion has deteriorated since December 2015.

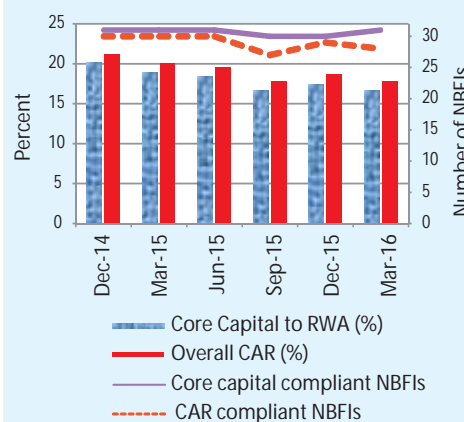
In addition, the Tier-1 capital ratio was recorded at 16.6 percent in the review quarter of CY16; slightly lower than the ratio of end-December 2015. Still the end-March CY16 data indicates that the NBFIs sector was compliant with the Basel II requirements in respect of the Tier-1 capital ratio.

Chart 5.4 Asset Share of NBFIs based on CAR as at End-March 2016



Source: DFIM, BB.

Chart 5.5 Overall CAR and Tier-1 Capital Ratio of the NBFIs Sector



Source: DFIM, BB.

Stress Testing and Resilience of the Banking and NBFIs Sectors

6.1 Stress Test

BB conducts stress tests on banks and Non-bank Financial Institutions (NBFIs) on quarterly basis.

6.2 Stress Test on Banks¹⁴

Stress test on banks is conducted through sensitivity analysis, incorporating impacts of the shock scenarios of credit risk, market risk and liquidity risk.

6.2.1 Individual Shocks

Data as of end-March 2016 revealed that the banking sector's capital to risk weighted asset ratio (CRAR)¹⁵ was 10.6 percent. 8 out of 56 banks' pre-shock CRARs were below the minimum regulatory requirement of 10.0 percent. Therefore, the remaining 48 banks were considered for the analyses based on end-March 2016 data. The following sub-sections give details of the shocks and their associated outcomes.

6.2.1.1 Credit risk

- a) **Increase in Non-performing Loans (NPL¹⁶):** If NPLs increased by 3, 9 and 15 percent, then 8, 23 and 32 banks respectively would have failed to maintain the minimum required CRAR (Chart 6.1).
- b) **Increase in NPL due to Default of Top Large Borrowers:** If 3, 7 and 10 largest borrowers of each bank in the industry

defaulted, then 25, 29 and 35 banks respectively would have been non-compliant in maintaining the minimum required CRAR.

- c) **Fall in the Forced Sale Value (FSV) of Mortgaged Collateral:** If FSV of mortgaged collaterals declined by 10, 20 and 40 percent, then 4, 5, and 7 banks respectively would have been non-compliant in maintaining the minimum required CRAR.
- d) **Negative Shift in the NPL Categories:** If NPL categories shifted downward by 5, 10 and 15 percent, then 4, 11, and 18 banks respectively would have been non-compliant in maintaining the minimum required CRAR.
- e) **Increase in NPL in Highest Outstanding Sector:** In the event of minor, moderate and major shocks, 1, 4 and 6 banks respectively would fall below the minimum regulatory requirement.

6.2.1.2 Market Risk

The banking industry found to be fairly resilient in the face of various shocks arising from market risks:

- a) **Interest Rate Risk:** Considering the change in market interest rate by 1, 2 and 3 percent, 5, 10 and 13 banks respectively would have failed to maintain the minimum required CRAR.

¹⁴ The analyses here are based on the data as of end-March 2016 unless otherwise stated.

¹⁵ CRAR = Capital to Risk Weighted Assets Ratio = Total Eligible Capital / (Credit RWA + Market RWA + Operational RWA), where RWA = Risk-weighted Assets

¹⁶ NPL = Non-performing loans, composed of sub-standard, doubtful and bad/loss loans.

Table 6.1 Stress Test on the Banking Sector Based on the Data as of End-March 2016

Shocks ¹⁷	Banking Sector %
Pre-shock CRAR	10.62
CRAR after shock (%)	
Credit Risks:	
Increase in NPLs:	
Shock-1: 3%	9.82
Shock-2: 9%	7.78
Shock-3: 15%	4.39
Increase in NPLs due to default of top large borrowers	
Shock-1: Top 3 borrowers	8.98
Shock-2: Top 7 borrowers	7.39
Shock-3: Top 10 borrowers	6.59
Fall in the FSV¹⁸ of mortgaged collateral	
Shock-1: 10%	10.13
Shock-2: 20%	9.63
Shock-3: 40%	8.62
Negative shift in the NPL categories	
Shock-1: 5%	10.01
Shock-2: 10%	8.12
Shock-3: 15%	7.05
Increase in NPLs in highest outstanding sectors	
Sector concentration 1 ¹⁹ (Performing loan directly downgraded to B/L ²⁰)	
Shock-1: 3%	10.57
Shock-2: 9%	10.47
Shock-3: 15%	10.37
Sector concentration 2 ²¹ (Performing loan directly downgraded to B/L)	
Shock-1: 3%	10.58
Shock-2: 9%	10.50
Shock-3: 15%	10.41
Market Risks	
Interest rate risk (change in interest rate)	
Shock-1: 1%	10.21
Shock-2: 2%	9.80
Shock-3: 3%	9.39
Exchange rate risk (Currency appreciation/depreciation)	
Shock-1: 5%	10.57
Shock-2: 10%	10.52
Shock-3: 15%	10.48
Equity price risk (Fall in equity prices)	
Shock-1: 10%	10.36
Shock-2: 20%	10.09
Shock-3: 40%	9.56
Combined Shock	
Shock-1	8.00
Shock-2	2.85
Shock-3	-3.62

¹⁷ Shock-1 = Minor, Shock-2 = Moderate, Shock-3 = Major.

¹⁸ FSV = Forced Sale Value.

¹⁹ Sector with highest outstanding.

²⁰ B/L = Bad/Loss.

²¹ Sector with second highest outstanding.

b) **Exchange Rate Risk:** In the event of minor shock, no bank's CRAR would fall below the minimum required level. However, CRAR of 1 and 3 banks would fall below the minimum regulatory requirement in the event of moderate and major shocks respectively.

c) **Equity Price Risk:** In the event of a 10, 20 and 40 percent fall in equity prices, 3, 4 and 4 banks respectively would have been non-compliant in maintaining the minimum required CRAR.

6.2.2 Combined Shock²²

In the event of minor, moderate and major combined shocks, 19, 32 and 38 banks respectively would be undercapitalized; CRAR in these cases would be downgraded to 8.0, 2.9, and -3.6 percent respectively.

Altogether, among different specified shocks, the default of the top large loan borrowers and increase in NPLs would have major adverse impacts on the banking sector CRAR.

6.2.3 Liquidity Shock

Based on end-March 2016 data, the individual banks and the banking system as a whole seemed to be resilient against specified liquidity stress scenarios.

Table 6.2 Liquidity Risk of the Banking Sector: End-March 2016

Liquidity Stress*	Stress Scenarios		
	Minor	Moderate	Major
Day 1	1	1	1
Day 2	1	1	1
Day 3	1	1	1
Day 4	1	1	1
Day 5	1	1	1

* Consecutive 5 working days.

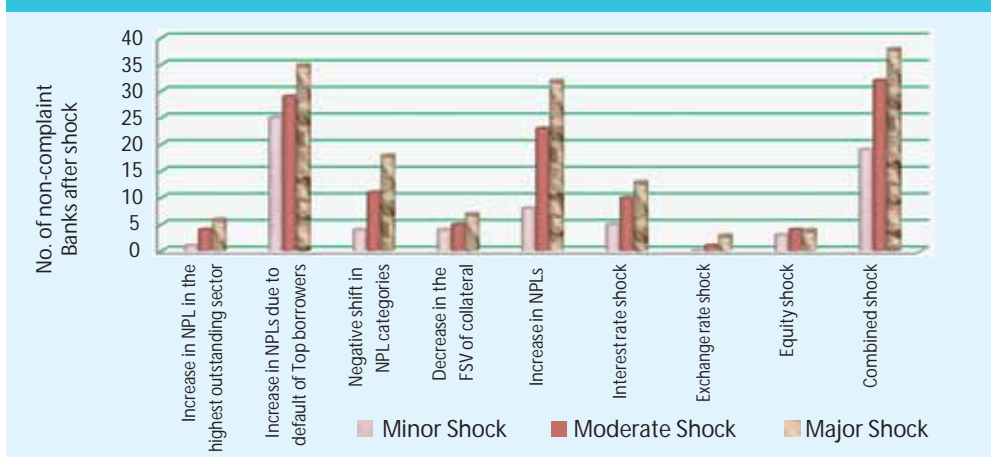
Note: '1' indicates that the system is liquid and '0' not liquid.

Source: FSD, BB.

6.3 Stress Test on NBFIs

Bangladesh Bank also conducts stress tests on NBFIs, based on a simple sensitivity analysis, in which four risk factors- credit, interest rate, equity price and liquidity - are analyzed.

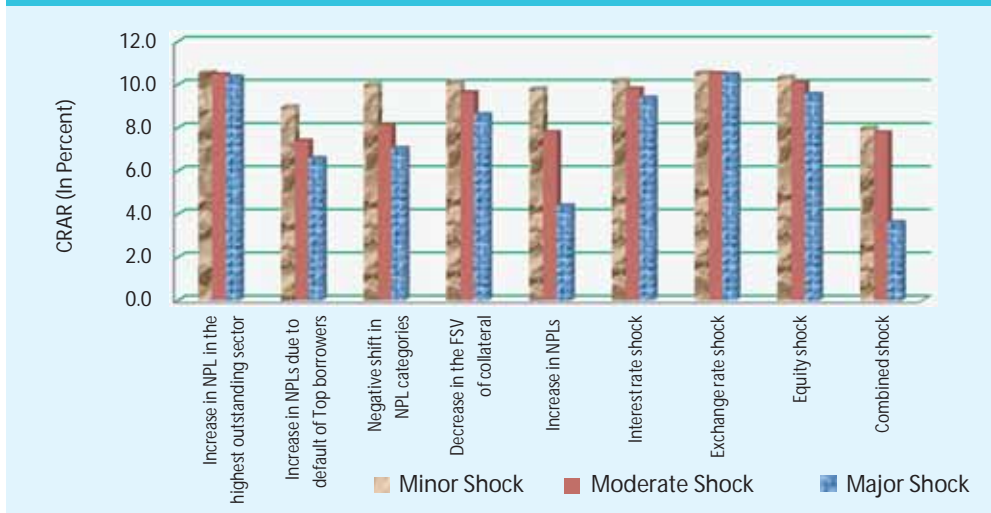
Chart 6.1 Number of Non-compliant Banks at Different Shock Scenarios: End March-2016



Source: FSD, BB.

²² Combined shock comprised of aggregate stress results of increase in NPLs, negative shifts in NPL categories, decrease in the FSV of the mortgaged collateral, exchange rate shock, equity price shock and interest rate shock.

Chart 6.2 Banking Sector CRAR at Different Shock Scenarios: End March-2016



Source: FSD, BB.

The overall financial strength and resilience of an NBFIs is identified by plotting its achieved ratings in a Weighted Average Resilience-Weighted Insolvency Ratio (WAR-WIR) Matrix.

Results from the stress tests based on the data of end-March 2016 (Table 6.3) revealed that out of 32 NBFIs, 4 were in 'Green', 17 in 'Yellow' and 11 in 'Red' zone. Therefore, 21 NBFIs would have performed as resilient during the quarter under review.

Table 6.3 Stress Testing: Zonal Position of NBFIs

(Number of NBFIs)

Period	Green	Yellow	Red
End-Dec 2014	4	19	8
End-Mar 2015	4	12	15
End-June 2015	4	12	15
End-Sep 2015	4	13	14
End-Dec 2015	4	18	10
End-Mar 2016	4	17	11

Source: DFIM, BB

Capital Market Development and Corporate Bond Market

The capital market in Bangladesh demonstrated a scenario of price correction in the review quarter²³ as evident from movements of a number of key indicators detailed below:

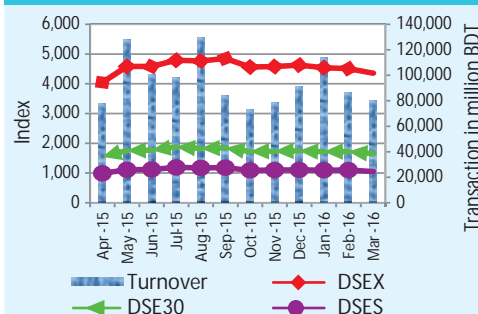
7.1 DSE Performance and Index Movement

In the first quarter of CY16, DSE turnover was BDT 279.9 billion as compared to BDT 243.4 billion recorded in the last quarter of CY15, scoring a 15 percent increase in terms of volume. At end-March 2016, key DSE indices DSEX, DSE 30 and DSES decreased by 5.9, 5.8 and 5.0 percent respectively from those of end-December 2015.

7.2 Price/Earnings (P/E) Ratio

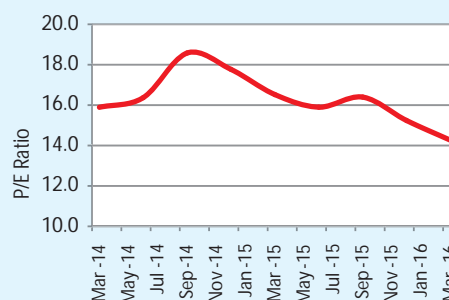
The weighted average P/E ratio in March 2016 was 14.3, which was 90 basis points lower than that of December 2015. The overall market P/E ratio displayed a downward trend since September 2014.

Chart 7.1 DSE Performance and Index Movement



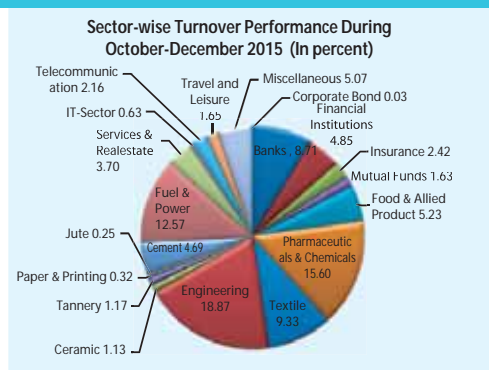
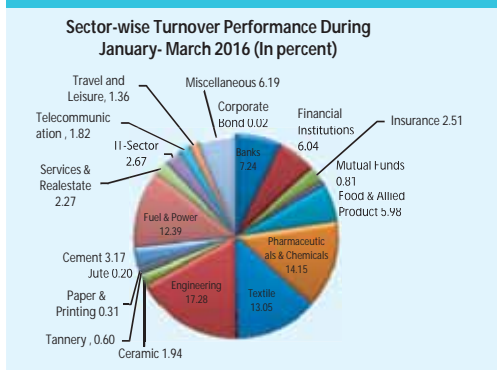
Source: Data-DSE, Compilation - FSD.

Chart 7.2 Price/Earnings Ratio



Source: Dhaka Stock Exchange.

Chart 7.3 Sector-wise Turnover Performance (in percent) in DSE



Source: Data DSE: Compilation, FSD.

²³ First quarter of calendar year 2016.

7.3 Sectoral Turnover

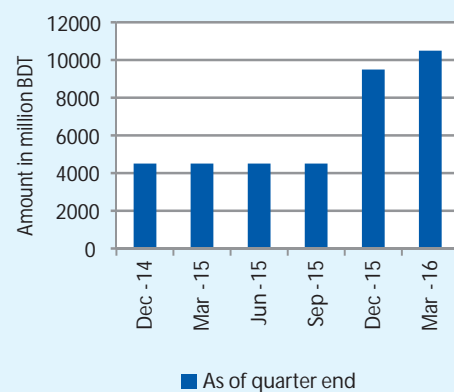
In the review quarter, the highest turnover was recorded for the Engineering sector. Next positions were held by the Pharmaceuticals, Fuel and Power sectors respectively (Chart 7.3).

It is mentionable that, in the review quarter, contribution of the banking sector to DSE turnover was 7.2 percent, as compared to 8.7 percent recorded in the December quarter of the CY15. The NBFIs sector's contribution was 6.0 percent compared with 4.9 percent in the previous quarter.

7.4 Corporate Bond Market

The amount of corporate bonds, issued in

Chart 7.4 Corporate Bond Issuance



Source: DFIM.

the first quarter of 2016, was BDT 100 million. Corporate bond issuance became more regular since the last quarter of 2015.

Recent Stability Initiatives of Bangladesh Bank

During the January-March quarter of calendar year 2016 (CY16), Bangladesh Bank has taken a number of initiatives having bearing on domestic financial system stability. Some important ones are:

8.1 Amendment of Core Risk Management Guidelines for Banks

During the review quarter, Bangladesh Bank has amended guidelines on Internal Control & Compliance Risk Management, Credit Risk Management, Asset Liability Management (ALM), and Foreign Exchange Risk Management in banks to provide directional guidelines that would facilitate the banks to improve their risk management culture, establish standards for segregation of duties and responsibilities and assist in the ongoing improvement of the banking sector in Bangladesh.

8.2 Integrated Risk Management Guidelines for Financial Institutions

Bangladesh Bank has issued an "Integrated Risk Management Guidelines" for Financial Institutions (FIs), on 24 January 2016, to strengthen their overall risk management framework, establish better risk management culture, promote inclusive risk management approach and introduce techniques in identifying, measuring, monitoring and mitigating all possible risks under formal organizational set up with standard policies and procedure.

8.3 Investment in Non-listed Special Purpose Funds

Bangladesh Bank has issued a circular on 30 March 2016 regarding investment in non-listed special purpose funds (Alternative Investment Fund, Special Purpose Vehicle or similar) by the Financial Institutions which

are registered with the Bangladesh Securities and Exchange Commission. As per the circular, the aggregate investment in such funds shall not exceed 50 percent of an FI's paid up capital and investment in single fund shall not exceed 10 percent of paid up capital or 20 percent of that particular fund, whichever is lower. FIs shall need to obtain approval from their Board of Directors and Bangladesh Bank before making commitment to invest in such funds.

8.4 Green Transformation Fund (GTF)

In January 2016, Bangladesh Bank has established a revolving fund titled "Green Transformation Fund" for an amount of USD 200 million to facilitate the relevant export oriented industries to transform their conventional production systems with eco-friendly and energy efficient technology to meet the current global Environmental and Social (E&S) safeguards compliance standards. The GTF is intended to facilitate access to finance to import capital machineries and other necessities relevant to environment-friendly/green attributes such as water use efficiency in wet processing, water conservation and management, waste management, resource efficiency and recycling, renewable energy, energy efficiency, heat and temperature management, air ventilation and circulation efficiency, work environment improvement initiatives and other sectors to be specified by Bangladesh Bank from time to time.

8.5 Changes in the Foreign Exchange Regulations

During the review quarter, Bangladesh Bank has brought a number of changes in its foreign exchange regulations that are stated below:

- i) Under Asian Clearing Union (ACU) arrangement, minimum threshold amount for transaction through ACU member central banks has been set at ACU Dollar or ACU Euro 500 (five hundred).
- ii) The limit of International Credit Cards (ICCs) for online payment has been increased to USD 300 (three hundred) or its equivalent per transaction against legitimate purchases of goods and services (downloadable application software, e-books, magazine/newspaper subscription fees etc.) from reputed and reliable sources abroad.
- iii) Authorised Dealers (ADs) have been allowed to issue guarantees in foreign currency up to Saudi Riyal 200,000 to the official pilgrimage (Umrah) service providers in Saudi Arabia.
- iv) Bangladesh Bank clarified some foreign exchange regulations regarding entities of different economic zones established under "The Bangladesh Economic Zones Act, 2010".

8.6 Circular on Small and Medium Enterprise (SME) Financing

In order to make SME financing entrepreneur friendly and inclusive and to have more sustainable SME sector, Bangladesh Bank issued a revised "master circular on SME financing" in January 2016 incorporating some changes and modifications, e.g. financing under group lending scheme to SME entrepreneurs of the former enclaves and keeping interest rate spread on SME financing within 5 percent.

8.7 Developments in Payment Systems

In the stated quarter, Bangladesh Bank advised the scheduled banks to take some initiatives to ensure security in ATM and card based transactions. Banks were also advised to take a number of precautionary measures to ensure cyber security in the financial sector. Other than that developments in payment systems during the quarter are:

8.7.1 Bangladesh Automated Clearing House (BACH)

In the stated quarter, 56,08,615 transactions valuing BDT 4,17,101.6 crore have been settled using Bangladesh Automated Cheque Processing System (BACPS) network and 32,51,738 transactions valuing BDT 23,443.5 crore have been settled using Bangladesh Electronic Fund Transfer Network (BEFTN) network.

8.7.2 Mobile Financial Services

The number of active accounts of mobile financial services reached to 142.43 lacs up to March 2016. In the stated quarter, 12,13,34,768 transactions valuing BDT 18,241.51 crore have been settled using the services.

8.7.3 National Payment Switch, Bangladesh (NPSB)

In the review quarter, total number of ATM transactions was 2,122,502 valuing BDT 1,329.8 crore and POS transactions was 1,35,005 valuing BDT 47.87 crore.

8.7.4 Real Time Gross Settlement (RTGS)

In the period of January-March 2016, a total of 12,422 transactions valuing BDT 86,995.4 crore have been settled through the RTGS network.

8.8 Agricultural Credit Disbursement

Under the Agricultural and Rural Credit Policy and Program for Financial Year 2015-16 commercial banks disbursed 78.1 percent of targeted amount of BDT 16,400.0 crore, as of March 2016, in which 24.7 percent was in the review quarter. Additionally, in January 2016, Bangladesh Bank instructed all scheduled banks to disburse agricultural loan in buffalo rearing for development of livestock sector for implementing the government policy. The special credit scheme fund for sharecroppers has been enhanced to BDT 600.0 crore with an extended time period of June 2018.

Table I : CPI Inflation (12 month Average)

(In percent)

Month	Inflation
Mar-14	7.54
Jun-14	7.35
Sep-14	7.22
Dec-14	6.99
Mar-15	6.66
Jun-15	6.40
Sep-15	6.24
Dec-15	6.19
Mar-16	6.10

Base: 2005-06=100

Table II : Foreign Exchange Reserve

(Amount in million USD)

Month	International Reserve
Jan-15	22,042.3
Feb-15	23,031.5
Mar-15	23,052.9
Apr-15	24,071.7
May-15	23,707.7
Jun-15	25,021.0
July-15	25,469.1
Aug-15	26,175.3
Sep-15	26,379.0
Oct-15	27,058.4
Nov-15	26,407.6
Dec-15	27,493.3
Jan-16	27,138.9
Feb-16	28,058.5
Mar-16	28,265.9

Table III : Wage Earners' Remittance*(Amount in million USD)*

Quarter	Workers Remittance
Mar-14	3,722.4
Jun-14	3,733.1
Sep-14	4,010.0
Dec-14	3,476.0
Mar-15	3,771.1
Jun-15	4,058.6
Sep-15	3,933.6
Dec-15	3,553.6
Mar-16	3,572.5

Table IV : Industrial Production Index (General-Manufacturing)

Quarter	Index
Mar-14	206.68
Jun-14	240.13
Sep-14	241.62
Dec-14	243.36
Mar-15	227.45
Jun-15	285.50
Sep-15	238.70
Dec-15	286.05
Mar-16	272.20

Table V : Exports and Imports*(Amount in million USD)*

Quarter	Aggregate Exports (F.O.B)	Aggregate Imports (F.O.B)
Mar-14	7,556.85	9,560.00
Jun-14	7,943.96	10,064.00
Sep-14	7,665.10	10,003.00
Dec-14	7,219.10	10,045.70
Mar-15	7,990.54	9,711.00
Jun-15	8,156.00	10,924.00
Sep-15	7,640.00	9,155.00
Dec-15	8,089.00	9,836.00
Mar-16	8,624.00	9,765.00

Table VI : Interest Rate (Weighted Average) Spread*(In percent)*

Period	Lending Rate	Deposit Rate	Spread
Mar-14	13.36	8.21	5.15
Jun-14	13.10	7.79	5.31
Sep-14	12.58	7.48	5.10
Dec-14	12.46	7.25	5.21
Mar-15	11.93	7.06	4.87
Jun-15	11.67	6.80	4.87
Sep-15	11.48	6.66	4.82
Dec-15	11.18	6.34	4.84
Mar-16	10.78	5.92	4.86

Table VII : Weighted Average Exchange Rate*(BDT/USD)*

Quarter	Period Average	End Period
Mar-14	77.7094	77.6709
Jun-14	77.6300	77.6300
Sep-14	77.4000	77.4000
Dec-14	77.8522	77.9494
Mar-15	77.8000	77.8000
Jun-15	77.8002	77.8050
Sep-15	77.8000	77.8000
Dec-15	78.7800	78.5100
Mar-16	78.4100	78.4000

Table VIII : Credit to the Government (Gross) by the Banking System*(Amount in billion BDT)*

Period	Amount
Mar-14	1,682.0
Jun-14	1,722.3
Sep-14	1,742.5
Dec-14	1,776.8
Mar-15	1,738.6
Jun-15	1,703.4
Sep-15	1,803.0
Dec-15	1,710.6
Mar-16	1,632.5

Table IX : Asset Structure of the Banking Industry*(Amount in billion BDT)*

Property and Assets	31-03-15	30-06-15	30-09-15	31-12-2015	31-03-2016
Cash in hand	114.1	110.6	106.6	93.9	92.0
Balance with Bangladesh Bank and its Agent Bank	553.3	594.0	608.6	662.5	649.8
Balance with other banks and financial Institutions	351.6	352.1	330.1	390.1	390.2
Money at call and short notice	76.6	76.0	93.7	85.3	107.8
Investment	1,872.1	1,930.0	2,037.3	2,226.1	2,069.4
Loans and Advances	5,481.3	5,721.0	5,827.2	6,002.8	6,316.5
Fixed Assets	217.3	218.1	220.0	243.3	224.6
Other Assets	639.7	684.1	774.7	549.0	676.2
Non-banking assets	2.8	2.9	2.9	2.3	3.3
Total Assets	9,308.8	9,688.8	10,001.2	10,255.3	10,529.8

Table X : Banking Sector Assets & NPL Concentration (March 2016)*(Amount in billion BDT)*

Assets	Top 5 Banks	Other Banks	Top 10 Banks	Other Banks
Amount	3,159	7,370.7	4,638.4	5,891.4
Share (%)	30.0	70.0	44.1	55.9
NPL	Top 5 Banks	Other Banks	Top 10 Banks	Other Banks
Amount	290.2	303.9	377.7	216.3
Share (%)	48.9	51.1	63.6	36.4

Table XI : Banking Sector NPL Ratio*(Amount in billion BDT)*

Quarter	Aggregate NPL	Gross NPL Ratio (NPL/TL)	NPL (net of LLP and IS) Ratio	NPL (net of LLP and IS)/ Reg. Cap.
Mar-14	481.7	10.5	3.4	22.5
Jun-14	513.5	10.8	3.9	27.0
Sep-14	572.9	11.6	4.3	30.0
Dec-14	501.6	9.7	2.7	17.9
Mar-15	546.6	10.5	3.7	25.8
Jun-15	525.2	9.7	2.8	20.8
Sep-15	547.1	9.9	2.8	20.1
Dec-15	513.7	8.8 ^R	2.3	16.5
Mar-16	594.1	9.9	2.9	21.2

Note: R-Revised

Table XII : Distribution of Banks by NPL Ratio

Range	Number of Banks as at end							
	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Up to 2.0%	10	10	10	10	10	7	9	8
2.0% to <3.0%	2	5	6	5	5	7	6	5
3.0% to <5.0%	10	5	13	5	6	9	14	11
5.0% to <10.0%	20	20	14	22	21	18	15	18
10.0% to <15.0%	3	5	3	3	4	4	3	4
15.0% to <20.0%	2	2	2	1	0	1	1	1
20.0% & above	9	9	8	10	10	10	8	9
Total	56	56	56	56	56	56	56	56

Table XIII : Banking Sector Loan Loss Provisions

(Amount in billion BDT)

Period	Required Provision	Provision Maintained	Provision Maintenance Ratio (%)
Mar-14	283.0	258.7	91.4
Jun-14	300.4	260.4	86.7
Sep-14	318.6	289.6	90.9
Dec-14	289.6	281.7	97.3
Mar-15	306.8	269.0	87.7
Jun-15	300.3	275.6	91.8
Sep-15	308.5	285.2	92.4
Dec-15	308.9	266.1	86.1
Mar-16	336.2	294.9	87.7

Table XIV : Banking Sector Classified Loans Ratios*(In percent)*

Period	Classified Loans to Total Loans	Sub-Standard Loans to Classified Loans	Doubtful Loans to Classified Loans	Bad Loans to Classified Loans
Mar-14	10.5	15.0	8.7	76.3
Jun-14	10.8	14.0	9.2	76.8
Sep-14	11.6	15.6	10.5	73.9
Dec-14	9.7	11.0	11.2	77.8
Mar-15	10.5	14.1	8.8	77.1
Jun-15	9.7	11.3	8.5	80.2
Sep-15	9.9	11.2	8.8	80.0
Dec-15	8.8	8.9	6.4	84.7
Mar-16	9.9	15.1	5.3	79.6

Table XV : Classified Loan Composition (end-March 2016)*(Amount in billion BDT)*

Particulars	Amount	Percent of Total
Sub-Standard	89.7	15.1
Doubtful	31.8	5.3
Bad & Loss	472.6	79.6
Total	594.1	100.0

Table XVI : Banking Sector ROA

Quarter	ROA Range			
	Up to 2.0%	>2.0% to ≤3.0%	>3.0% to ≤4.0%	>4.0%
Mar-14	47	2	4	3
Jun-14	45	4	1	6
Sep-14	48	2	1	5
Dec-14	49	5	0	2
Mar-15	51	1	3	1
Jun-15	49	4	2	1
Sep-15	49	3	1	3
Dec-15	35	12	5	4
Mar-16	48	2	2	4

Note: ROAs have been annualized from respective quarterly ratios.

Table XVII : Banking Sector ROE

Quarter	ROE Range			
	Up to 5.0%	>5.0% to ≤10.0%	>10.0% to ≤15.0%	>15.0%
Mar-14	18	15	10	13
Jun-14	18	14	9	15
Sep-14	30	7	4	15
Dec-14	18	11	17	10
Mar-15	22	16	14	4
Jun-15	16	15	12	13
Sep-15	23	15	9	9
Dec-15	9	7	12	28
Mar-16	20	18	7	11

Note: ROEs have been annualized from respective quarterly ratios.

Table XVIII : NBFIs' Borrowing, Deposit and Capital

(Amount in billion BDT)

Particulars	March-2016
Borrowings	143.4
Deposits	332.5
Capital	100.9
Other Liabilities	66.8
Total	643.6

Table XIX : NBFIs' Asset Composition

(Amount in billion BDT)

Particulars	March-2016
Cash & Balance with Banks/FIs	96.0
Investments	20.8
Loans & Leases	469.0
Other Assets	50.7
Fixed Assets	7.1
Total	643.6

Table XX : NBFIs' Classified Loans and Leases*(Amount in billion BDT)*

Quarter	Aggregate NPL	Aggregate NPL to total loan (%)
Mar-14	18.9	5.8
Jun-14	18.5	5.4
Sep-14	22.4	6.2
Dec-14	19.7	5.3
Mar-15	27.6	7.0
Jun-15	31.6	7.7
Sep-15	45.2	10.6
Dec-15	40.0	8.9
Mar-16	41.8	8.9

Table XXI : NBFIs' ROA & ROE*(In percent)*

Quarter	Aggregate ROA	Aggregate ROE
Jun-14	2.2	11.6
Sep-14	2.2	12.2
Dec-14	2.0	10.9
Mar-15	1.2	6.7
Jun-15	2.0	11.4
Sep-15	1.3	7.8
Dec-15	2.0	11.8
Mar-16	0.6	3.9

Note: The displayed ratios are annualized figures from respective quarterly ratios.

Table XXII : Banking Sector CAR/CRAR

CAR	Number of Banks (At End Period)							
	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
< 10%	8	8	5	8	9	9	8	8
10% to ≤15%	30	30	33	29	30	29	30	31
15% +	18	18	18	19	17	18	18	17

Table XXIII : Banking Sector Asset Share based on CRAR as at End-March 2016

CRAR	Number of Banks & their asset size		Asset Share (%)
	Number of Banks	Asset Size (in billion BDT)	
<10%	8	2,101.5	20.0
10% to ≤ 15%	31	7,415.5	70.0
15% +	17	1,012.8	10.0
Total	56	10,529.8	100.0

Table XXIV : Tier-1 Capital Ratio and Overall CAR/CRAR of the Banking Industry

Particulars	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Core Capital to RWA (%)	8.8	8.3	8.1	8.6	8.2	7.9	8.0	8.1	8.2
Number of core capital compliant banks	51	50	51	51	50	49	49	49	50
Overall CAR (%)	11.3	10.7	10.6	11.4	10.7	10.3	10.5	10.8	10.6
Number of CAR compliant banks	50	48	48	51	48	47	47	48	48
No. of banks in the industry	56	56	56	56	56	56	56	56	56

Table XXV : Distribution of Risk Weighted Assets of the Banking Industry
(Amount in billion BDT)

Particulars	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
RWA for Credit Risk	5,230.1	5,419.3	5,553.9	5,732.3	5,969.9	6,008.4	6,174.5
RWA for Market Risk	361.0	336.9	323.3	316.4	336.0	313.8	301.4
RWA for Operational Risk	550.6	567.8	583.8	593.1	600.2	626.1	643.1
Total RWA	6,141.7	6,323.9	6,461.0	6,641.8	6,906.1	6,948.3	7,119.0

Table XXVI : Banking Sector Advance-to-Deposit Ratio (ADR)
(In percent)

Period	ADR
Mar-14	69.9
Jun-14	70.5
Sep-14	69.9
Dec-14	70.9
Mar-15	70.5
Jun-15	70.3
Sep-15	69.8
Dec-15	71.0
Mar-16	71.5

Table XXVII : Bank Cluster-wise ADR at end-March 2016
(In percent)

Bank wise	ADR
SCBs	51.8
PCBs	80.9
FCBs	60.1
DFIs	73.1
Industry	71.5

Table XXVIII : NBFIs' CRR & SLR
(Amount in million BDT)

Quarter End	Aggregate CRR			Aggregate SLR		
	Required	Maintained	Surplus/Shortfall	Required	Maintained	Surplus/Shortfall
Jun 2014	3,530.5	3,928.9	398.4	10,981.2	60,698.7	49,717.5
Sep 2014	3,720.5	4,049.0	328.5	11,582.8	66,411.9	54,829.1
Dec 2014	3,887.7	4,396.9	509.2	12,053.7	65,557.8	53,504.1
Mar 2015	4,015.8	4,414.3	398.5	12,544.7	69,205.1	56,660.4
Jun 2015	4,251.0	4,594.1	343.1	13,169.1	67,786.3	54,617.2
Sep 2015	4,542.1	5,052.1	510.0	12,433.1	68,748.9	56,315.8
Dec 2015	4,781.6	5,234.6	453.0	12,935.7	68,042.7	55,107.0
Mar 2016	4,976.3	5,540.4	564.1	13,567.2	71,023.4	57,456.2

Table XXIX : Capital Adequacy Ratio of NBFi Sector

Particulars	End Sep-14	End Dec-14	End Mar-15	End Jun-15	End Sep-15	End Dec-15	End Mar-16
Eligible Capital to RWA (%)	16.9	21.2	20.1	19.7	17.9	18.7	17.9

Table XXX : Asset Share of NBFIs based on CAR at end-March 2016*(In percent)*

CAR Range	No. of banks	Asset Share
<10%	4	15.3
10% to ≤ 15%	9	45.4
above 15%	19	39.3

Table XXXI : Overall Risk-weighted Assets and Tier-1 Capital of NBFi Sector*(Amount in billion BDT)*

Particulars	End June-14	End Sep-14	End Dec-14	End Mar-15	End Jun-15	End Sep-15	End Dec-15	End Mar-16
Risk-weighted Assets (RWA)								
Credit RWA	380.68	396.12	417.86	440.64	460.02	474.97	465.03	481.27
Market RWA	26.09	33.94	34.66	37.38	39.34	40.48	40.46	39.45
Operational RWA	27.30	26.91	34.26	33.63	33.90	33.93	37.14	37.58
Total RWA	434.08	456.97	486.78	511.65	533.26	549.38	542.63	558.31
Capital								
Core Capital (Tier -1)	68.30	69.77	71.50	98.01	96.62	91.38	94.61	92.68
Supplementary Capital	5.45	5.92	5.98	5.35	6.44	6.92	6.68	7.20
Eligible Capital	73.75	75.69	77.48	103.36	103.06	98.3	101.29	99.89

Table XXXII : Banking Sector's After Shock CRAR at Different Shock Scenarios

(Based on data as of end-March 2016)

Shocks	CRAR after Shock (%)		
	Minor Level	Moderate Level	Major Level
Performing loan directly downgraded to B/L	10.57	10.47	10.37
Increase in NPLs due to default of Top borrowers	8.98	7.39	6.59
Negative shift in NPL categories	10.01	8.12	7.05
Decrease in the FSV of collateral	10.13	9.63	8.62
Increase in NPLs	9.82	7.78	4.39
Interest rate shock	10.21	9.80	9.39
Exchange rate shock	10.57	10.52	10.48
Equity shock	10.36	10.09	9.56
Combined shock	8.00	2.85	-3.62

Table XXXIII : Number of Non-complaint Banks at Different Shock Scenarios

(Based on data as of end-March 2016)

Shocks	No. of Banks		
	Minor Level	Moderate Level	Major Level
Performing loan directly downgraded to B/L	1	4	6
Increase in NPLs due to default of Top borrowers	25	29	35
Negative shift in NPL categories	4	11	18
Decrease in the FSV of collateral	4	5	7
Increase in NPLs	8	23	32
Interest rate shock	5	10	13
Exchange rate shock	0	1	3
Equity shock	3	4	4
Combined shock	19	32	38

NB: Pre-shock CRARs of 8 banks out of 56 were below the minimum required level of 10% as of 31 March 2016. Therefore, the above table represents 48 banks data.

Table XXXIV : Price/Earnings Ratio of Capital Market

Quarter	Price Earnings Ratio (%)
Mar-14	15.9
Jun-14	16.4
Sep-14	18.6
Dec-14	17.8
Mar-15	16.5
Jun-15	15.9
Sep-15	16.4
Dec-15	15.2
Mar-16	14.3

Table XXXV : DSE Performance: January 2015 to March 2016

Month	DSE Turnover (BDT in mn)	Index		
		DSEX	DSE 30	DSES
Jan-15	55,698.48	4,724.05	1,747.76	1,115.70
Feb-15	53,603.13	4,763.22	1,772.42	1,130.92
Mar-15	61,392.47	4,530.48	1,728.48	1,103.13
Apr-15	77,561.19	4,047.29	1,545.19	992.54
May-15	127,815.54	4,586.95	1,758.02	1,112.79
Jun-15	100,610.12	4,583.11	1,769.37	1,122.03
Jul-15	98,272.67	4,792.31	1,883.91	1,189.86
Aug-15	129,354.00	4,768.67	1,826.98	1,176.49
Sep-15	83,702.11	4,852.08	1,847.97	1,180.89
Oct-15	73,357.07	4,564.49	1,725.97	1,092.30
Nov-15	78,419.91	4,581.00	1,734.08	1,102.45
Dec-15	91,611.96	4,629.64	1,750.59	1,107.12
Jan-16	113,496.31	4,540.89	1,719.15	1,095.27
Feb-16	86,421.46	4,511.97	1,722.85	1,099.78
Mar-16	79,972.67	4,357.54	1,648.95	1,052.14

Table XXXVI : Sector-wise Turnover Performance

(In percent)

Broad sector	Sector	% of total turnover	
		2015Q4	2016Q1
Financial Sector	Banks	8.71	7.24
	Financial Institutions	4.85	6.04
	Insurance	2.42	2.51
	Mutual Funds	1.63	0.81
Manufacturing	Food & Allied Product	5.23	5.98
	Pharmaceuticals & Chemicals	15.60	14.15
	Textile	9.33	13.05
	Engineering	18.87	17.28
	Ceramic	1.13	1.94
	Tannery	1.17	0.60
	Paper & Printing	0.32	0.31
	Jute	0.25	0.20
	Cement	4.69	3.17
Service & Miscellaneous	Fuel & Power	12.57	12.39
	Services & Real estate	3.70	2.27
	IT - Sector	0.63	2.67
	Telecommunication	2.16	1.82
	Travel and Leisure	1.65	1.36
	Miscellaneous	5.06	6.19
Bond	Corporate Bond	0.03	0.02
	Total	100.00	100.00

Note: 2015Q4=December quarter 2015, 2016Q1=March quarter 2016

Table XXXVII : Corporate Bond Issuance

(Amount in million BDT)

Corporate Bond Issuance	September 2014	December 2014	March 2015	June 2015	September 2015	December 2015	March 2016
	3,000.0	4,500.0	4,500.0	4,500.0	4,500.0	9,500.0	10,500.0

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